

# Audit Committee Report



**Carol Chesney**  
Chair of the Audit Committee

During 2023, the Company continued to build on momentum from 2022 and the strengthening of its end-markets, and reported a significant increase in its revenue and profitability over the previous year. The focus of the Audit Committee's (the "Committee") work over the year has been consideration of the recognition of previously unrecognised deferred tax assets held by the Group's US businesses, and revenue recognition processes and procedures.

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	Member	Invitation
<b>Number of meetings held</b>	<b>5</b>	
<b>Number of meetings attended (actual/possible):</b>		
Annell Bay	5/5	–
Stuart Brightman	5/5	–
Carol Chesney (Committee Chair)	5/5	–
Bruce Ferguson	–	5/5
Jay Glick	–	5/5
Paula Harris	5/5	–
Jim Johnson	–	5/5
Keith Lough	4/5	–

## Introduction

As impetus in the international and offshore markets continued to improve, the Group's growing order book and tender pipeline have enabled the business units to have greater visibility on earnings, with the most recent forecasts prepared by the business units reflecting this. As the forecasts demonstrated that the US businesses were to be profitable for the foreseeable future, the unrecognised deferred tax assets held by the US businesses were recognised on the balance sheet at the year-end as realisation of the tax benefit within a reasonable time frame was probable. Due to the size and nature of the deferred tax assets recognised in the year, the Committee concurred with management's proposal to disclose these as an adjusting item.

Revenue recognition has remained an area of focus for the Committee during the year, given the increase in the number of long timescale orders received by the Subsea Spring and Dearborn business units. Each contract is quite complex, unique and has to be assessed for 'point in time' or 'over time' revenue recognition, which is an area that requires a high level of judgement.

As part of the Committee's half-year and full-year procedures, impairment reviews of the Group's current and non-current assets were completed, which resulted in a small goodwill impairment charge being recorded within the Enpro Subsea business unit at the half-year. This impairment was triggered as a result of the broad-based increase in discount rates, driven by the higher interest rates being recorded globally, with a consistent approach being adopted in-line with impairment reviews completed in recent years. Given the improved operating environment for the Group, no further goodwill impairment charges were recognised at the year-end.

During the year, the Committee monitored inventory, together with the inventory provision discussed below, and the levels of working capital in general.

The Committee continued to monitor the implementation of the inventory valuation model that was established in 2022, to ensure that a consistent approach was being applied across the Group to inventory provisioning. Overall, the Committee was satisfied that there was a robust control process in place following final refinements and that the valuation methodology allowed for management's judgement to be applied when appropriate.

The Committee also considered whether there were any other significant items that should be disclosed as adjusting items for the current year and, following discussion with management and the external auditor, no additional items were identified for separate disclosure.

**Audit Committee Report** continued**Composition and frequency of meetings**

The Committee currently comprises six independent non-executive Directors (at 29 February 2024) and is chaired by Carol Chesney. Following his appointment to the Board on 3 January 2023, Stuart Brightman joined the Committee. Margaret Amos also joined the Committee on her appointment as a Director to the Board on 10 January 2024.

Mrs Chesney is a qualified Chartered Accountant and is considered to have recent and relevant financial experience. Ms Bay (Chair of the Remuneration Committee), Ms Harris and Messrs Brightman and Lough have experience of the global energy industry, with particular expertise in the UK and US oil and gas markets. Margaret Amos has experience in the aviation industry, an area where Hunting seeks to grow in the coming years, as well as finance and accounting.

Further details of the Committee's experience can be found in the biographical summaries set out on pages 112 and 113. The Committee normally meets four times a year and operates under written terms of reference approved by the Board, which are published on the Company's website at [www.huntingplc.com](http://www.huntingplc.com).

During 2023, the Committee met five times in January, February, April, August and December, and the attendance record of the Committee members and Board invitees is noted in the table on the previous page. All Directors and internal and external auditors are normally invited to attend meetings.

**Responsibilities**

The principal responsibilities of the Audit Committee are to:

- monitor and review reports from the executive Directors, including the Group's financial statements and Stock Exchange announcements;
- provide the Board with a recommendation regarding the Half Year and Annual Report and Accounts, including whether they are fair, balanced and understandable;
- consider and approve any adjusting items proposed by management;
- review the Company's and Group's Going Concern and Viability statements;
- monitor, review and assess the Group's systems of risk management and internal control;
- review reports from the Group's external and internal auditors, including approving the proposed audit plans, scope and resourcing; review whether the external and internal auditors have met their respective audit plans;
- consider and recommend to the Board the appointment or reappointment of the external auditor as applicable;
- agree the scope and fees of the external audit;
- monitor and approve engagement of the external auditor for the provision of non-audit services to the Group; review the external auditor's independence and objectivity as well as the effectiveness of the external audit process; review the external auditor's management letter; and
- monitor corporate governance and accounting developments.

**Work undertaken by the Committee during 2023**

	Jan	Feb	Apr	Aug	Dec
<b>Financial report</b>					
Annual Report and Full Year Results announcement		•			
Going Concern basis		•		•	
Viability Statement		•			
Half Year Report and Half Year Results announcement				•	
Review accounting policies					•
<b>Internal controls and risk management</b>					
Risk management and internal controls report		•		•	•
Key risks and mitigating controls					•
Effectiveness of internal controls and internal audit function		•			
Internal audit report		•		•	•
Internal audit plan and resourcing		•			
<b>External auditor</b>					
Auditor's objectivity, independence and appointment		•			
Full Year and Half Year report to the Audit Committee		•		•	
Final Management letter on internal controls			•		
Auditor's performance and effectiveness			•		
Proposed year-end audit plan including scope, fees and engagement letter	•			•	•
Risk of auditor leaving the market					•
<b>Other business</b>					
Whistleblowing and Bribery Policy Review			•		
Committee effectiveness and terms of reference					•

**Review of the 2023 financial statements**

The Committee reviews final drafts of the Group's Report and Accounts for both the half and full year. As part of this process, the performance of the Group's major operating segments is considered, with key judgements, estimates and accounting policies being approved by the Committee ahead of a recommendation to the Board. In addition to briefings and supporting reports from the central finance team on significant issues, the Committee engages in discussion with Deloitte LLP, the Group's external auditor.

Significant matters reviewed by the Committee in connection with the 2023 Annual Report and Accounts were as follows:

**Taxation**

A major area of focus for the Committee during the year related to the recognition of the unrecognised deferred tax assets ("DTAs"), with a briefing given to the Board by the Group Head of Tax at the December 2023 meeting. Management assessed the probability of Hunting being able to utilise the unrecognised DTAs against future taxable profits, and concluded that the strong performance by the businesses in the year as well as forecast profitability supported the recognition of these DTAs. The Committee were satisfied with the timing of the recognition of the DTAs.

**Audit Committee Report** continued

The Committee continues to monitor tax risk, tax audits and provisions held for taxation in view of the international spread of operations.

**Revenue recognition**

Given the Group's improving results in 2023 together with the increase in longer-term contracts received by the Subsea Spring and Dearborn business units, revenue recognition received ongoing focus in the year. Additional internal review procedures with respect to revenue recognition were introduced in 2022, following challenge from the external auditor, and their implementation continued to be monitored throughout the year. The Internal Audit function included a review of Subsea Spring's revenue recognition procedures as part of its audit plan for the year. The Committee was satisfied that more robust procedures are now in place.

**Inventory valuation and provisioning procedures**

During 2023, inventory valuation and provisioning procedures continued to be an area of review for the Committee. During 2022, the Group's central finance function developed a common valuation methodology to further improve the processes and controls around inventory provisioning, with particular focus on ensuring these processes and controls were consistent throughout the Group's business units.

The Committee reviewed reports by both management and the external auditor on the continued refinement of the model and the process for embedding it within the Group's business units. The Committee was satisfied that the inventory valuation model was being used appropriately by management, that the judgements being applied were balanced, and, therefore, the carrying values of inventories at the year-end were appropriate.

**Impairment reviews**

The Committee also received reports on the review of impairment of goodwill and other non-current assets held on the consolidated balance sheet. A review for impairment triggers was undertaken at the half-year, resulting in an impairment review of the Enpro Subsea cash generating unit and a \$1.4m charge being recorded due to an increase in the discount rate. A review of indefinite life assets was undertaken for the full year, with no further impairment charges being recognised. The Committee noted the business units where headroom for the carrying value of goodwill was more limited, with these units undertaking detailed modelling as part of the year-end process to support the values recorded. Management continues to utilise independent drilling and production projections published by Spears & Associates to support its analysis, with summaries presented in the Market Summary section of the Strategic Report on pages 24 to 26.

**Inventories**

At the year-end, the Group held \$328.4m (2022 – \$272.1m) of inventory. This represents approximately 34% of the Group's net assets (2022 – 32%). Inventory levels have increased as activity levels in the Group rose and inventory purchases were increased to meet the requirements of the sales order book. As noted above, the inventory provisioning methodology continued to be refined through the year, with the Committee satisfied that a robust process was now embedded, which encompassed all key product lines sold by the Group.

**Property, plant and equipment ("PPE")**

The year-end balance sheet includes \$254.5m (2022 – \$256.7m) for PPE. This represents approximately 27% of the Group's net assets (2022 – 30%).

The movement in PPE reflects depreciation of \$27.2m and disposals of \$0.8m offset by additions of \$23.1m and other items totalling \$2.7m. The Committee reviewed the PPE impairment tests and, following discussion, was satisfied that the assumptions and the disclosures in the year-end accounts were appropriate.

**Goodwill**

The year-end balance sheet includes \$154.4m (2022 – \$155.5m) of goodwill. This represents approximately 16% of the Group's net assets (2022 – 18%), with Hunting Titan representing 74% of the year-end balance (2022 – 74%). As noted above, a \$1.4m impairment to goodwill in respect of the Enpro Subsea cash generating unit was recorded in the year, which was primarily driven by changes to the discount rates applied to the impairment model. The Committee considered and challenged the discount rates and the factors used in the goodwill review process. After discussion, it was satisfied that the carrying values recorded and the disclosures in the year-end accounts were appropriate.

**Other intangible assets**

The year-end balance sheet includes other intangible assets of \$40.8m (2022 – \$35.7m). This represents approximately 4% of the Group's net assets (2022 – 4%). Additions in the year were \$10.9m (2022 – \$5.7m) and the amortisation charge recorded in the consolidated income statement was \$6.6m (2022 – \$4.4m). The Committee considered and confirmed the appropriateness of the assumptions and factors used in the review process and were comfortable with the carrying values, as recorded.

**Right-of-use assets**

The year-end balance sheet includes right-of-use assets of \$26.2m (2022 – \$26.0m). This represents approximately 3% of the Group's net assets (2022 – 3%). The movement in the year is predominantly attributed to depreciation of \$6.6m (2022 – \$6.4m) offset by additions of \$6.2m (2022 – \$5.1m). The Committee reviewed the movement in the carrying values of these items and confirmed the appropriateness of the assumptions and factors used in the review process and were comfortable with the items, as recorded.

**Adjusting items and presentation of financial statements**

The Committee is responsible for reviewing and approving any material adjusting items proposed by management.

At the 2023 year-end, the recognition of the US DTAs of \$83.1m as an adjusting item was proposed by management. The Committee agreed with this presentation and also considered whether there were any other material or significant items that should be disclosed as adjusting items for the current year and, following discussion, agreed that no further items had been identified. In 2022, two adjusting items to profit before tax totalling \$12.6m were recorded.

From 1 January 2023, the Group's Subsea Technologies businesses were reported as a standalone operating segment, as these businesses had been identified by management as an area of growth and focus for the Group. It was noted that there was no requirement under IFRS to separately disclose Subsea Technologies as an operating segment as it did not meet the required thresholds. The external auditor reviewed and agreed the revised presentation of the operating segments.

**Audit Committee Report** continued**Going concern basis and Viability Statement**

The Committee monitored assumptions around Going Concern at the half and full year, as well as those around the Group's Viability Statement for the full year. Driven by the improved profitability of the Group, led by the performance of the North America, Subsea Technologies and Asia Pacific operating segments, the Committee concluded that good support for Hunting's longer-term viability exists.

While the Group reported a year-end small negative total cash and bank position compared to the positive position at 31 December 2022, the Committee noted that Hunting has absorbed part of its cash balances in the investment in inventory to support the strong order book of the Group's global businesses. Other principal cash outflows were for capital investment, labour costs and dividends.

The utilisation and availability of the \$150 million Asset Based Lending ("ABL") facility has supported the Group's Going Concern statement. The ABL facility continues to add significant long-term liquidity to the Group, and is linked to the secured value of inventories, freehold property and receivables held by Hunting's North American businesses. In the year, Hunting remained fully compliant with its bank covenants.

As part of the Company's 2023 half-year and full-year procedures, management presented various trading scenarios to support the Going Concern assumption, which were reviewed by the Committee and the external auditor. This included a downside trading scenario.

As part of Hunting's Viability Statement procedures, management prepared an extended forecast that provided trading projections to 2028. The Board approved this in January 2024 and used it to support the carrying values of assets held on the consolidated balance sheet.

On 26 February 2024, the Committee approved the Viability Statement, detailed on page 106 of the Strategic Report, noting that it presented a reasonable outlook for the Group for the next three years.

**Fair, balanced and understandable assessment**

The Committee reviewed the financial statements, together with the narrative contained within the Strategic Report set out on pages 2 to 108, and believes that the 2023 Annual Report and Accounts, taken as a whole, is fair, balanced and understandable. In arriving at this conclusion, the Committee undertook the following:

- review and dialogue in respect of the monthly management accounts and supporting narrative circulated to the Board;
- review of early drafts of the Annual Report and Accounts, providing relevant feedback to the executive Directors;
- regular review and discussion of the financial results during the year, including briefings by Group finance and operational management; and
- receipt and review of reports from the external and internal auditors.

The Committee advised the Board of its conclusion that the 2023 Annual Report and Accounts, taken as a whole, was fair, balanced and understandable at a Meeting of Directors on 27 February 2024.

**Internal audit**

An annual programme of internal audit assignments in respect of 2023 was reviewed and approved by the Committee in February.

During the year, the Committee received reports from the Internal Audit function. The Chair of the Committee also had regular dialogue with the function throughout the year. During the year, eight field audits were completed in-line with the 2023 Internal Audit Plan. In addition, further work on control review procedures was carried out, especially in relation to the revenue recognition procedures of the Subsea Spring business unit's long-term contracts and the continuing implementation of the Group's new ERP system within a number of businesses.

The Committee met with the Head of Internal Audit, without the presence of the executive Directors, on three occasions during the year. The Committee reviews the internal audit process and effectiveness as part of the Group's internal control and risk assessment programme. The effectiveness of the Internal Audit function was considered by the Committee at its February meeting, which concluded that the function remained effective.

**External audit**

Deloitte LLP was appointed by the Group's shareholders as external auditor in 2019 and, therefore, no tenders have been undertaken in the year due to their current tenure. This position also applies to the engagement partner attached to the Group's account. During the year, the second partner on the Group account rotated off, with a new second partner appointed. The engagement partner is due to rotate off the Hunting account following the completion of the 2023 audit.

The external auditor presented reports at the February, April, August and December meetings of the Audit Committee during 2023. Further, the Chair of the Committee also had regular dialogue with the audit engagement partner throughout the year.

In April 2023, Deloitte LLP presented its Management Controls Report, which highlighted control improvements they recommended be made by the Group.

On 26 February 2024, a full-year report by Deloitte LLP was considered ahead of publication of the Group's 2023 Annual Report and Accounts.

The Committee normally meets with the external auditor, without executive Directors present, at the end of each formal meeting. During the year, the Company complied with the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Process and Audit Committee Responsibilities) Order 2014.

**Materiality**

The Committee discussed materiality with the external auditor regarding both accounting errors to be brought to the Audit Committee's attention and amounts to be adjusted so that the financial statements give a true and fair view. Overall, audit materiality was set at \$4.5m (2022 – \$4.0m). This equates to approximately 0.5% (2022 – 0.6%) of the Group's total external revenue reported in 2023. Furthermore, the auditor agreed to draw to the Audit Committee's attention all identified, uncorrected misstatements greater than \$0.2m and any misstatements below that threshold considered to be qualitatively material.

**Audit Committee Report** continued**Audit scope**

The Audit Committee considered the audit scope and materiality threshold. The audit scope addressed Group-wide risks and local statutory reporting, enhanced by desktop reviews for smaller, low risk entities. Approximately, over 79% of the Group's reported revenue and the Group's net assets were audited, covering 18 reporting units, including a number of investment holding companies, across five countries.

**Audit effectiveness and independence**

The external auditor's full-year report includes a statement on their independence, their ability to remain objective and their ability to undertake an effective audit.

The Committee considers and assesses this independence statement on behalf of the Board, taking into account the level of fees paid, particularly for non-audit services. Having taken into account these factors, the Committee concluded that Deloitte LLP was independent from the Group throughout the year and to the date of their audit report.

The effectiveness of the audit process was considered throughout the year, with a formal review undertaken by the Company at the April meeting of the Committee.

The assessment summarises management feedback and considers the performance of the external auditor, including:

- the external auditor's understanding of the Group's business and industry sector;
- the planning and execution of the audit plan by the external auditor approved by the Committee;
- the communication between the Group and audit engagement team;

- the external auditor's response to questions from the Committee, including during private meetings without management present;
- the independence, objectivity and scepticism of the auditors, including management challenge on any items within the audit scope;
- a report from the Finance Director and the Group Financial Controller; and
- finalisation of the audit work ahead of completion and announcement of the Annual Report and Accounts.

In addition, the Committee reviewed and took account of the reports from the Financial Reporting Council on Deloitte LLP, and reviewed the Transparency Report prepared by Deloitte LLP. After considering these matters, the Committee was satisfied with the effectiveness of the year-end audit process.

**Non-audit services**

The Committee closely monitors fees paid to the auditor in respect of non-audit services. With the exception of audit-related assurance services, which totalled \$0.2m (2022 – \$0.2m), there were no non-audit service fees paid during the year (2022 – \$nil). The scope and extent of non-audit work undertaken by the external auditor was monitored by, and required prior approval from, the Committee to ensure that the provision of such services did not impair the external auditor's independence or objectivity.

**Auditor reappointment**

Following discussion in February 2024, the Committee approved the recommendation to propose the reappointment of Deloitte LLP at the Company's 2024 Annual General Meeting.

**ESEF reporting**

The Group is required to produce its annual report in XHTML format, an electronic format known as a structured report, to comply with the European Single Electronic Format ("ESEF") reporting requirements. Digital tags were applied to the Group's consolidated financial statements within its 2022 Annual Report and Accounts and the structured report was successfully submitted to the Financial Conduct Authority's National Storage Mechanism in April 2023. A qualified IT provider was involved in the preparation of the structured report and Deloitte LLP completed a number of assurance procedures on the structured report.

Deloitte LLP has again been asked to provide an assurance report on the compliance of the Group's tagged 2023 Annual Report and Accounts with the ESEF reporting requirements.

**Internal controls**

The Group has an established risk management framework and internal control environment, which was in operation throughout the year. The Committee monitors these arrangements on behalf of the Board and these are detailed in the Risk Management section of the Strategic Report on pages 96 to 105.

As noted above, the inventory valuation methodology that was successfully introduced in 2022, continued to be refined and embedded during 2023.

**Financial Reporting Council ("FRC") review of the 2022 Annual Report and Accounts**

As part of its remit, the FRC is authorised to review and investigate the Annual Accounts, Strategic Reports and Directors' Reports of public and large private companies for compliance with relevant reporting requirements.

Although these reviews are carried out by personnel skilled in the relevant legal and accounting frameworks, they are based solely on published report and accounts and do not benefit from a detailed knowledge of the company or the underlying transactions entered into.

The FRC therefore requests companies referring to these reviews to make clear the limitations of the review process and that the review provides no assurance that the report and accounts are correct in all material respects.

As part of its normal operating procedures, Hunting's 2022 Annual Report and Accounts were selected for review by the FRC. Based on this review, the FRC had no questions or queries that it wished to raise and informed the Company of this by letter. The letter did note a number of areas where the FRC felt disclosures could be improved.

The Audit Committee welcomes the constructive feedback from the FRC and, as a result, has enhanced disclosures in a number of areas in the 2023 Annual Report and Accounts.

**Review of Committee effectiveness**

In December 2023, the Committee reviewed its effectiveness and the Committee Chair reported these findings to the Board. No issues were identified as part of this review process.

On behalf of the Board



**Carol Chesney**  
Chair of the Audit Committee

29 February 2024



# Directors' Report

## Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the group financial statements in accordance with United Kingdom adopted international accounting standards. The Directors have also chosen to prepare the parent company financial statements under United Kingdom adopted international accounting standards. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements of the financial reporting framework are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose, with reasonable accuracy at any time, the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Responsibility Statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

This responsibility statement was approved by the Board of Directors at their meeting on Tuesday 27 February 2024.

## Directors

The Directors of the Company, during the year and up to the date of signing these accounts, are listed on pages 112 and 113.

## Powers of the Directors

Subject to the Articles, UK legislation and any directions prescribed by resolution at a general meeting, the business of the Company is managed by the Board. The Articles may only be amended by special resolution at a general meeting of shareholders. Where class rights are varied, such amendments must be approved by the members of each class of share separately.

The Directors have been authorised to allot and issue Ordinary shares and to disapply statutory pre-emption rights. These powers are exercised under authority of resolutions of the Company passed at its AGM. During the financial year ended 31 December 2023, no Ordinary shares were issued pursuant to the Company's various share plans.

The Company has authority, renewed annually, to purchase up to 14.99% of the issued share capital, equating to 24,724,518 shares. Any shares purchased will either be cancelled and the number of Ordinary shares in issue reduced accordingly, held in treasury, sold for cash or (provided Listing Rule requirements are met) transferred for the purposes of or pursuant to an employee share scheme.

These powers are effective for 15 months from the date of shareholder approval, or up to the next general meeting where new authorities are sought. The Directors will be seeking a renewal for these powers at the 2024 AGM.

## Appointment and Replacement of Directors

The rules about the appointment and replacement of Directors are contained in the Articles. On appointment, in accordance with the Articles, Directors may be appointed by a resolution of the Board but are then required to be reappointed by ordinary resolution by shareholders at the Company's next AGM.

## Directors' interests

Details of Directors' remuneration, service contracts and interests in the Company's shares and share options are set out in the Directors' Remuneration Policy and Annual Report on Remuneration, located at [www.huntingplc.com](http://www.huntingplc.com). Further information regarding employee long-term incentive schemes is given in note 37 of the financial statements.

## Directors' conflict of interest

All Directors have a duty under the Companies Act 2006 to avoid a situation in which they have, or could have, a direct or indirect conflict of interest with the Company. The duty applies, in particular, to the exploitation of any property, information or opportunity, whether or not the Company could take advantage of it. The Articles provide a general power for the Board to authorise such conflicts.

Directors are not counted in the quorum for the authorisation of their own actual or potential conflicts. Authorisations granted are recorded by the Company Secretary in a register and are noted by the Board. On an ongoing basis, the Directors are responsible for informing the Company Secretary of any new, actual or potential conflicts that may arise, or if there are any changes in circumstances that may affect an authorisation previously given.

**Directors' Report** continued

Even when provided with authorisation, a Director is not absolved from his or her statutory duty to promote the success of the Company. If an actual conflict arises post-authorisation, the Board may choose to exclude the Director from receipt of the relevant information and participation in the debate, or suspend the Director from the Board, or, as a last resort, require the Director to resign. As at 31 December 2023, no Director of the Company had any beneficial interest in the shares of Hunting's subsidiary companies.

**Auditors**

A resolution for the reappointment of Deloitte LLP as auditor to the Company and a resolution which gives the Audit Committee the authority to determine the remuneration of the auditor will be proposed at the 2024 AGM.

**Statement of Disclosure of Information to Auditors**

In accordance with the Companies Act 2006, all Directors in office as at the date of this report have confirmed, so far as they are aware, there is no relevant audit information of which the Group's auditors are unaware and each Director has taken all reasonable steps necessary in order to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information. This confirmation should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

**Share capital**

Hunting PLC is a premium-listed public company limited by shares, with its Ordinary shares quoted on the London Stock Exchange. The Company's issued share capital comprises a single class, which is divided into 164,940,082 Ordinary shares of 25 pence each.

All of the Company's issued Ordinary shares are fully paid up and rank equally in all respects. Details of the issued share capital of the Company and the number of shares held in treasury as at 31 December 2023 can be found in note 33 to the financial statements.

Subject to applicable statutes, shares may be issued with such rights and restrictions as the Company may, by ordinary resolution, decide, or (if there is no such resolution or so far as it does not make specific provision) as the Board (as defined in the Articles) may decide.

**Voting rights and restrictions on transfer of shares**

Holders of Ordinary shares are entitled to receive dividends (when declared), receive the Company's Annual Report and Accounts, attend and speak at general meetings of the Company, and appoint proxies or exercise voting rights.

On a show of hands at a general meeting of the Company, every holder of Ordinary shares present in person or by proxy and entitled to vote has one vote and, on a poll, every member present in person or by proxy and entitled to vote has one vote for every Ordinary share held. None of the Ordinary shares carry any special rights with regard to control of the Company.

Proxy appointments and voting instructions must be received by the Company's Registrars no later than 48 hours before a general meeting. A shareholder can lose their entitlement to vote at a general meeting where that shareholder has been served with a disclosure notice and has failed to provide the Company with information concerning interests in those shares.

Shareholders' rights to transfer shares are subject to the Articles of Association. Transfers of uncertificated shares must be carried out using CREST and the Directors can refuse to register a transfer of an uncertificated share in accordance with the regulations governing the operation of CREST. The Directors may decide to suspend the registration of transfers, for up to 30 days a year, by closing the register of shareholders. The Directors cannot suspend the registration of transfers of any uncertificated shares without obtaining consent from CREST. There are no restrictions on the transfer of Ordinary shares in the Company other than:

- certain restrictions that may, from time to time, be imposed by laws and regulations, for example insider trading laws;
- pursuant to the Company's share dealing code whereby the Directors and certain employees of the Company require approval to deal in the Company's shares; and
- where a shareholder with at least a 0.25% interest in the Company's certificated shares has been served with a disclosure notice and has failed to provide the Company with information concerning interests in those shares.

**Interests in voting rights**

Other than as stated in the table on page 162, the Company is not aware of any further agreements between shareholders that may result in restrictions on the transfer of Ordinary shares or on voting rights.

**Market capitalisation**

The market capitalisation of the Company at 31 December 2023 was £0.5bn (2022 – £0.5bn).

**Share price**

	2023 p	2022 p
At 1 January	333.0	169.2
At 31 December	295.5	333.0
High during the year	351.5	365.0
Low during the year	197.4	169.2

**Dividends**

The Company normally pays dividends semi-annually. Details of the Company's dividend policy is set out on page 10.

The Company paid the 2022 final dividend of 4.5 cents per share on 12 May 2023, which absorbed \$7.1m of cash. At the Group's 2023 Half Year Results, the Board declared an interim dividend of 5.0 cents per share, which was paid to shareholders on 27 October 2023, and absorbed \$7.9m of cash. The Board is recommending a final dividend for 2023 of 5.0 cents per share, to be paid to shareholders on 10 May 2024, subject to approval by shareholders at the Company's 2024 AGM.

**Employee Benefit Trust**

The Group operates an Employee Benefit Trust (the "Trust") as a vehicle to satisfy share options and awards granted to employees who participate in the Company's share-based incentive schemes. At 31 December 2023, the Trust held 6,591,918 Ordinary shares in the Company (2022 – 5,370,963). The Trust has a policy to purchase shares in the market or subscribe for new shares to partially meet the future requirements of these incentive schemes. The Trust has waived all dividends payable by the Company and voting rights in respect of the Ordinary shares held by it.

**Directors' Report** continued**Major shareholders**

The Company's major shareholders, as at 31 December 2023, are listed in the table below.

	Notes	Number of Ordinary Shares	% of ISC
BlackRock, Inc.		12,749,575	7.73
Schroder Investment Management		11,649,926	7.06
Hunting Investments Limited	1/4/5	11,003,487	6.67
Abrdn		10,784,962	6.54
GLG Partners		9,565,911	5.80
J P Morgan Asset Management		8,443,282	5.12
Hunting Employee Benefit Trust		6,591,918	4.00
Slaley Investments Limited	5	6,424,591	3.89
Orbis Investment Management		5,951,997	3.61
J Trafford – as trustee	2/5	5,228,660	3.17
David RL Hunting	1/2/3/4/5	194,120	0.12
– as trustee		3,157,750	1.91
– other beneficial		1,875,950	1.14
Dimensional Fund Advisers		5,076,993	3.08

<sup>1</sup> Included in this holding are 9,437,743 Ordinary shares held by Huntridge Limited, a wholly-owned subsidiary of Hunting Investments Limited. Neither of these companies is owned by Hunting PLC either directly or indirectly.

<sup>2</sup> After elimination of duplicate holdings, the total Hunting family trustee interests shown above amount to 5,228,660 Ordinary shares.

<sup>3</sup> David RL Hunting and his children are or could become beneficiaries under the relevant family trusts of which Mr Hunting is also a trustee.

<sup>4</sup> David RL Hunting is a director of Hunting Investments Limited.

<sup>5</sup> In 2014, Hunting Investments Limited, Slaley Investments Limited, certain Hunting family members, including Richard H Hunting and David RL Hunting and the Hunting family trusts, to which James Trafford is a trustee (together known as "the Hunting Family Interests"), entered into a voting agreement. The voting agreement has the legal effect of transferring all voting rights of Hunting PLC Ordinary shares held by the Hunting Family Interests to a voting committee. The beneficial ownership of Hunting PLC Ordinary shares remains as per the table shown above. At 29 February 2024, the Hunting Family Interests, party to the agreement, totalled 24,170,900 Ordinary shares in the Company, representing 14.7% of the total voting rights.

**Other information****Significant agreements**

The Company is party to the Asset Based Lending facility in which the counterparties can determine whether or not to cancel the agreement where there has been a change of control of the Company. The service agreements of the executive Directors include provisions for compensation for loss of office or employment as a result of a change of control.

**Political contributions**

It is the Group's policy not to make political donations. Accordingly, there were no political donations made during the year (2022 – \$nil).

**Payments to governments**

In accordance with the UK's Disclosure and Guidance Transparency Rule 4.3A, Hunting PLC is required to report annually on payments made to governments with respect to its oil and gas activities. Hunting's report on "Payments to Governments" for the year ended 31 December 2022 was published on 20 April 2023 and totalled \$875,964.

**Research and development**

Group subsidiaries undertake, where appropriate, research and development to meet particular market and product needs.

The Group's research and development costs in the year totalled \$6.9m (2022 – \$5.8m), with the amount expensed in the year totalling \$4.7m (2022 – \$4.8m).

**Companies Act 2006 Section 415**

In compliance with section 415 of the Companies Act 2006, the Directors present their report and the audited financial statements of Hunting PLC for the year ended 31 December 2023.

The Strategic Report incorporates the Hunting 2030 Strategy, Key Performance Indicators, Company Chair's Statement, Chief Executive's Review and Outlook, Market Summary, Business Model and Strategy, Stakeholders and Engagement protocols, Product Review, Operating Segment Review, Group Review, ESG and Sustainability, and Risk Management and is located on pages 2 to 108.

As permitted by legislation, the Board has chosen to set out, within the Strategic Report and Corporate Governance Report, some of the matters required to be disclosed in the Directors' Report, which it considers to be complementary to communicating Hunting's financial position and performance, as follows:

- changes in the Group and its interests (pages 20 and 21);
- dividends (page 15);
- future developments (page 23);
- risk management, objectives and policies (pages 96 to 98);
- bribery and corruption (pages 33 to 37 and 78);
- ethnicity and diversity (pages 33 and 76);
- employment of disabled persons (pages 33 and 76); and
- greenhouse gas emissions and environmental matters (pages 38, 69 to 73, 82 and 95).

For further information, please see the Shareholder and Statutory Information section located on pages 246 and 247.

**The Companies (Miscellaneous Reporting) Regulations 2018**

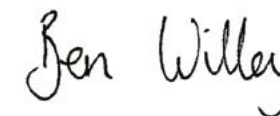
As required by The Companies (Miscellaneous Reporting) Regulations 2018 (the "Regulations"), the Board of Hunting PLC has prepared a section 172(1) statement, which can be found on page 108 and also on the Group's website [www.huntingplc.com](http://www.huntingplc.com).

The Directors' Stakeholder Engagement and decision making disclosures are summarised within the Strategic Report on pages 32 to 39, and include cross references to the various engagement activities across the Group's operations. Additional disclosures in respect of customers, suppliers and other key business relationships can also be found within the Strategic Report.

**Approval of accounts**

The 2023 Annual Report and Accounts were approved by the Directors at their meeting on Tuesday 27 February 2024.

By order of the Board



**Ben Willey**  
Company Secretary

29 February 2024